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SOUTHWEST GAS CORPORATION

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AZ CORP COMMISSION
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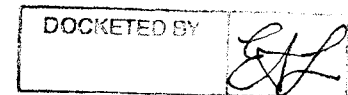
Docket Control Office
Arizona Corporation Commission
Utilities Division
1200 West Washington Street
Phoenix, AZ 85007

Arizona Corporation Commission

DOCKETED

NOV 08 2013

Re: **Southwest Gas Corporation**
Docket No. G-01551A-10-0458



Southwest Gas Corporation herewith submits for filing an original and thirteen (13) copies of its application to reopen and modify Decision 72723 with respect to the Customer-Owned Yard Line (COYL) Program.

If you have any questions or comments regarding the attached, please do not hesitate to contact me at 702-876-7163.

Respectfully submitted,

Debra S. Gallo *by amg*

Debra S. Gallo, Director
Government & State Regulatory Affairs

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2

3 **COMMISSIONERS**

4 BOB STUMP – Chairman
5 GARY PIERCE
6 BRENDA BURNS
7 BOB BURNS
8 SUSAN BITTER SMITH

9 In the Matter of the Application of
10 Southwest Gas Corporation for the
11 Establishment of Just and Reasonable
12 Rates and Charges Designed to Realize a
13 Reasonable Rate of Return on the Fair
14 Value of the Properties of Southwest Gas
15 Corporation Devoted to its Arizona
16 Operations; Approval of Deferred
17 Accounting Orders; and for Approval of an
18 Energy Efficiency and Renewable Energy
19 Resource Technology Portfolio
20 Implementation Plan.

Docket No.: G-01551A-10-0458

21 **APPLICATION PURSUANT TO A.R.S. §40-252 TO**
22 **REOPEN AND MODIFY DECISION 72723 WITH RESPECT TO**
23 **THE CUSTOMER OWNED YARDLINE (COYL) PROGRAM**

24 **Introduction**

25 1. Southwest Gas Corporation (Southwest Gas or Company) hereby
26 submits its application to the Arizona Corporation Commission (Commission)
27 respectfully requesting that Decision No. 72723 be reopened pursuant to Section 40-
28 252 of the Arizona Revised Statutes (A.R.S.), and that the Decision be modified to
allow Southwest Gas to implement a "Phase II" of its COYL program, as detailed
herein, and to clarify or modify the Decision such that future modifications to the COYL
program can be presented by the Company and ruled on by the Commission as part
of the Company's annual COYL filings, without the need for a future application
pursuant to A.R.S. §40-252.

1 2. Southwest Gas is a corporation in good standing under the laws of the
2 state of Arizona, and is a corporation duly organized, validly existing, and qualified to
3 transact intrastate business.

4 3. Southwest Gas' corporate offices are located at 5241 Spring Mountain
5 Road, P. O. Box 98510 Las Vegas, Nevada 89193-8510. Communications regarding
6 this filing should be addressed to:

7 Catherine M. Mazzeo
8 Associate General Counsel
9 Southwest Gas Corporation
10 P.O. Box 98510
11 Las Vegas, Nevada 89193-8510
12 Telephone No. (702) 876-7250
13 Email: catherine.mazzeo@swgas.com

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14 4. Southwest Gas is a public utility subject to the jurisdiction of the
15 Commission pursuant to Article XV of the Arizona Constitution and the applicable
16 chapters of Title 40 of the Arizona Revised Statutes. Southwest Gas currently serves
17 approximately 1.9 million customers in the states of Arizona, California, and Nevada.
18 Approximately 54 percent of the Company's customers are located in the state of
19 Arizona, including portions of Cochise, Gila, Graham, Greenlee, La Paz, Maricopa,
20 Mohave, Pima, Pinal, and Yuma counties. For operational purposes, Southwest Gas'
21 Central Arizona division is headquartered in Phoenix and its Southern Arizona division
22 is headquartered in Tucson.

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Existing COYL Program

5. The Commission issued Decision No. 72723 in Southwest Gas' 2010 general rate case, which included approval of the Company's COYL program consistent with the terms of a Settlement Agreement involving the Company and various other parties to the docket. Through the COYL program, the Company leak surveys COYLs in its Arizona service territories and provides those customers with leaking COYLs the opportunity to replace their COYLs with facilities owned and operated by Southwest Gas.¹

6. The program has been well-received by customers, and is making a difference in the choices customers make when their COYLs are found to be leaking. Before the COYL program was introduced, approximately 70 percent of customers with leaking COYLs hired a plumber to repair or replace the COYL, and only 15 percent elected to have Southwest Gas relocate the gas meter and install its own facilities. In its first year, the COYL program dramatically improved upon these statistics, with over 96 percent of affected customers electing to replace the COYL with Southwest Gas facilities.²

7. Southwest Gas gained a great deal of experience during the first year of its COYL program. In 2012, the Company replaced approximately 2,000 COYLs at a capital cost of approximately \$4 million. The Company estimates that there are still over 100,000 COYLs in its Arizona service territories. Based upon the current replacement frequency rate, it may take up to 50 years to completely remove all Arizona COYLs.

8. Inclusive of the COYL program is the authority to establish a COYL Cost Recovery Mechanism (CCRM).³ The CCRM is an interim cost recovery mechanism that allows Southwest Gas to recover the capital investment associated with the COYL program. The CCRM is based upon actual costs and costs eligible for recovery

¹ Settlement Agreement, at §§5.13-5.19.

² Detailed information regarding the first year of the COYL program can be found in Southwest Gas' first annual COYL program report, filed with the Commission on February 28, 2013.

³ D72723 at ¶56.

1 (depreciation and pre-tax return). The CCRM surcharge is reset annually, and
2 contains a cap that prevents an incremental surcharge amount greater than \$0.01 per
3 therm in any single year. The Commission-approved CCRM surcharge attributed to
4 the 2,000 COYLs that were replaced in 2012 was approximately \$0.00101 per therm,
5 resulting in a bill impact for average residential customers of approximately 3 cents
6 per month.⁴

7 **Request to Reopen Decision No. 72723**

8 9. Southwest Gas respectfully requests that the Commission reopen
9 Decision No. 72723 in accordance with A.R.S. §40-252 for the limited purpose of
10 modifying the Decision to allow Southwest Gas to implement a "Phase II" of the COYL
11 program as set forth below, and to clarify or modify the Decision such that the
12 Company can present, and the Commission can consider, future modifications to the
13 COYL program as part of the Company's annual COYL filings. Southwest Gas
14 intends that its request to reopen Decision No. 72723 be narrowly construed to apply
15 only to Paragraph 56 of the Decision (and the corresponding Ordering Paragraph),
16 relating specifically to the COYL program and the Company's requests herein.

17 10. A.R.S. §40-252 provides that the Commission may, at any time and
18 upon notice to the affected corporation, "...rescind, alter or amend any order or
19 decision made by it..." Further, it is appropriate to reopen a decision to allow the
20 Commission to consider changed facts or circumstances that were not originally
21 contemplated.⁵

22 11. The COYL program, as currently approved, allows the Company to
23 relocate the gas meter and replace the COYL only in those instances where the COYL
24 is found to be leaking. As mentioned above, based upon the current replacement

25 ⁴ Decision No. 73883.

26 ⁵ See e.g., *Davis v. Corporation Commission*, 393 P.2d 909, 911-12, 96 Ariz. 215, 219 (1964)(application
27 pursuant to A.R.S. §40-252 does not constitute a collateral attack upon the order); *In re Cimarron*
28 *Foothills Community Ass'n*, 2002 WL 192063 (Ariz.C.C. Decision No. 64340)(declining to reopen decision
authorizing construction of electric transmission facilities where applicant failed to allege facts that were
not considered when decision was issued, but noting that an application pursuant to A.R.S. §40-252 would
be required if utility sought to construct said facilities in a manner different than what was described in the
underlying application).

1 frequency rate, it may take up to 50 years to completely remove the more than
2 100,000 COYLs in the Company's Arizona service territories. Moreover, the positive
3 customer response and high acceptance rate related to the COYL program indicates
4 that customers are interested in replacing their COYLs. As such, the Company seeks
5 authority to develop a Phase II in order to increase the frequency of COYL
6 replacements.

7 12. Phase II of the program will permit COYL replacements to be scheduled
8 in coordination with other Southwest Gas pipeline replacement projects. This allows
9 the Company (with the customer's consent) to replace COYLs with Company-owned
10 facilities, regardless of whether or not the COYLs are leaking.

11 13. Phase II of the COYL program will adhere to the original design
12 parameters of Phase I with respect to customer bill impact. The Company will
13 separately track the costs associated with Phase II, and is not requesting any changes
14 to the CCRM, or to the cap that prevents an incremental surcharge amount greater
15 than \$0.01 per therm in any single year. Southwest Gas expects that the proposed
16 Phase II of the COYL program may increase annual COYL replacement capital
17 investment by approximately \$4 million per year, thereby resulting in an estimated
18 residential customer bill impact of 3 cents per month.

19 14. Phase II will not alter the program processes that currently exist; rather,
20 it is intended to be an extension of the existing COYL program. Southwest Gas will
21 continue its current COYL leak survey and meter relocation process. The Company
22 will also prioritize leaking COYLs over non-leaking COYLs.

23 15. As Southwest Gas continues to gain experience from Phase I of the
24 COYL program, it believes that implementation of a Phase II will increase efficiencies
25 and program effectiveness. The Company will be able to take advantage of crews
26 that are already in the immediate area, as well as blue staking and permitting that has
27 already been done as part of the non-COYL pipe replacement projects the Company
28 performs each year. The Company anticipates that utilizing blanket services, as
opposed to scheduling them individually, will reduce COYL program costs. It is also

1 believed there will be a resulting reduction in the amount of time a customer is without
2 gas during the COYL replacement work.

3 **Future Program Modifications**

4 16. The Settlement Agreement approved in Decision No. 72723 authorizes
5 Southwest Gas to make annual reports to the Commission, including any
6 recommendations it has regarding the COYL program.⁶ Pursuant to this provision,
7 Southwest Gas included a Phase II proposal in its first annual COYL program report
8 filed with the Commission February 28, 2013. In response to this recommendation,
9 Staff suggested the need for a 40-252 application in order for the Commission to
10 consider Phase II of the COYL program, or any other modifications to the COYL
11 program.

12 17. Based upon this language and Staff's previous position, Southwest Gas
13 requests that Decision No. 72723 be clarified, and modified if necessary, such that
14 future modifications to the COYL program can be presented by the Company, and
15 considered by the Commission, as part of the Company's annual COYL filings. This
16 clarification or modification would allow the Commission to consider any proposed
17 program modifications at the same time that it reviews the program's performance and
18 considers the Company's application to reset the CCRM surcharge, without invoking
19 A.R.S. §40-252.

20 **Proposed Changes to Decision No. 72723**

21 18. Consistent with the above, Southwest Gas proposes the following
22 clarifying modifications to Decision No. 72723:

23 Paragraph 56 (beginning at pg. 13, line 7):

24 Under the terms of the Settlement, SWG will purchase leak detection
25 devices and set up a program to check COYLs for leaks, and if leaks are
26 found, the Company will replace the COYL with a normal service line
27 configuration. **In addition, the Company will schedule COYL**
28 **replacements in coordination with its other pipeline replacement**

⁶ Settlement Agreement, at §5.18.

1 projects and will replace COYLs with a normal service line
2 configuration, regardless of whether such COYLS are leaking.
3 However, the Company will prioritize the replacement of leaking
4 COYLs over non-leaking COYLs. SWG will report its findings and
5 recommendations on an annual basis, at which time the Commission
6 will consider any proposed program modifications. Subject to an this
7 annual reporting requirement, SWG will be permitted to add a surcharge
8 to all bills to recover an amount approximately equal to the amount that
9 would have been assessed if the additional plant had been in rate base
10 during the test year. (*Id.* at 18-20).

11
12 Ordering Paragraph (pg. 44, line 28 through pg. 45, line 6):

13 IT IS FURTHER ORDERED that Southwest Gas Corporation shall,
14 starting February 2013, and each February thereafter, file with Docket
15 Control, as a compliance item in this docket, a report of leak surveying
16 associated with the customer owned yard line replacement program
17 informing the Commission and the parties of the Company's findings and
18 any recommendations regarding the program, **including but not limited**
19 **to any proposed program modifications.** The report shall include the
20 information set forth in the Settlement Agreement. Staff shall, within 45
21 days thereof, submit a recommendation to the Commission regarding the
22 report, **any requests to modify the program,** and **the** request to reset
23 the COYL surcharge amount.

24 **Conclusion**

25 19. Based upon the foregoing, Southwest Gas respectfully requests that the
26 Commission reopen Decision No. 72723 in accordance with A.R.S. §40-252 for the
27 limited purpose of modifying the Decision to allow Southwest Gas to implement Phase
28 II of the COYL program as set forth herein, and to clarify or modify the Decision such

1 that future modifications to the COYL program can be presented by the Company and
2 ruled on by the Commission as part of the Company's annual COYL filings, without
3 the need for a future application pursuant to A.R.S. §40-252.

4 Respectfully submitted this 7th day of November, 2013.

5
6 SOUTHWEST GAS CORPORATION

7 

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Attorney for Southwest Gas Corporation

1 ORIGINAL and 13 COPIES of the foregoing filed this 7th day of November, 2013 with:

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5 COPIES of the foregoing served this 7th day of November, 2013 on:

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26 

27 an employee of Southwest Gas Corporation
28